

MAYOR'S OFFICE OF STRATEGIC PLANNING



~City of Memphis – City of Choice~

SEPTEMBER 2012 - VOLUME 1, ISSUE 1

Five-Year Strategic Fiscal and Management Plan Charts New Course for City of Memphis

The combination of structural and cyclical challenges made the last three years the toughest budget environments in the modern history of City of Memphis. Slow economic growth, high unemployment, foreclosures driving down property values, and lack of revenue growth converged to create a perfect storm that laid bare the need for better financial information and a specific roadmap for the future.

The objective of the five-year plan is to unlock options built on stronger financial analysis, better revenue projections, better defined cost options for different service levels, and more year-to-year accountability and evaluation. This process does not begin with an argument about dollars but discussions about baseline expenditures and revenues, core services, and the costs for optional levels of service.

To get this done, City of Memphis has hired PFM, one of the nation's leading independent municipal financial advisers, to lead a unique team headed up by PFM's David Eichenthal and complemented with local experts on public finances: Lynn Evans, CPA; Rick Masson, former Memphis CAO; and Archie Willis and Pam Clary, Community Capital.

(continued on back)

Why the 5-Year Strategic Fiscal & Management Plan Matters

MAYOR WHARTON: "THIS IS ABOUT DOING THE PUBLIC'S BUSINESS IN A BUSINESSLIKE WAY WITH A LONGER-RANGE LOOK AT THE FORCES SHAPING OUR BUDGETS AND THREE THEMES THAT MATTER MOST: SUSTAINABILITY, FISCAL DISCIPLINE, AND ECONOMIC GROWTH. WE LEAVE NO BETTER LEGACY THAN AN EFFECTIVE, STRONG FINANCIAL FOUNDATION FOR THE NEXT GENERATION."

CITY COUNCIL BUDGET CHAIRMAN JIM STRICKLAND: "THE PROCESS GIVES US AN OPPORTUNITY TO BETTER DIRECT OUR LIMITED RESOURCES TO PROVIDE THE BEST SERVICES WE CAN. WE NEED TO ENGAGE THE PUBLIC AND CITY EMPLOYEES IN THIS PROCESS AND WORK TOGETHER SO THAT WE ARE EFFICIENT AND RESPONSIVE TO THE NEEDS OF OUR CUSTOMERS."

FIVE-YEAR PLAN IS ABOUT GETTING THE BASICS RIGHT FOR THE FUTURE

The strategic planning process for the Five-Year Strategic Fiscal and Management Plan is a process to fundamentally rethink the way City of Memphis does business and reassess the fiscal and management systems through a five-year lens to provide the context, construct, and content for the best long-term decisions.

The plan begins with well-reasoned assumptions about the economy and other relevant issues, forces, and trends that drive City of Memphis' revenues and expenditures. It will distinguish between one-time revenues and recurring revenues and it will develop a comprehensive budget for capital improvement projects, inventorying all existing maintenance obligations and weighs new projects with a return on investments evaluation.

It will also synchronize operations, capital, and debt planning.

The process builds on the recommendations of the March, 2007, City of Memphis Efficiency Study and the 2010 City of Memphis Strategic Business Assessment Committee.

As the process begins, here is the context: Strategic Planning is not about an event, starting from scratch, control, ideas from an isolated group, the city doing it alone, easy decisions, or putting things "in concrete."

Strategic planning is about alignment, a process, flexibility and resilience, information and data, and coordination of plans to ensure the whole is greater than the sum of its parts.

(continued on back)

Just The Facts

Memphis Land Area: -350 square miles.
Atlanta - 134; Baltimore - 81; Washington, D.C. - 68;
Chicago - 234; Detroit - 143; Cincinnati - 82;
Cleveland - 82; New York City - 321; Seattle - 144;
Philadelphia - 143; Birmingham - 149

The Strategic Planning Process

(from front)

The principles for the planning process are:

- Plan inside-out
- Fix and unite Memphis
- Concentrate on core strengths and assets
- Make investments to create prosperity and attract and retain people with options
- Data-driven, issues-focused, and policy-directed.

Structural issues that become the framework for the process are:

- The financial disincentive to live in Memphis
- Intractable poverty
- Regressive tax structure
- Cost and effects of sprawl
- Hollowing out of middle income families
- Lack of social equity and fiscal equity
- Human capital challenges and low educational attainment
- Slow jobs and economic growth
- Flat population growth
- Suburban-centric transportation plans
- Aging infrastructure
- Declining density in neighborhoods

Internal structural pressures center on wages, pension, and health costs. The annual required contribution to the pension fund increased significantly between 2008 and 2011.

Foreclosures and the economic recession have

produced a serious decline in property tax collections from 2008 to 2011.

Between 2007 and 2011, the City of Memphis added 500 full-time employees, primarily in public safety, and general fund expenditures increased another 25% over the same period of time.

In response, City of Memphis brought in outside resources to support its strategic efforts – Brookings Institution's Metropolitan Business Plan, Bloomberg Philanthropies' the Mayor's Innovation Team, and the White House's Strong Cities Strong Communities.

The Five-Year Strategic Fiscal and Management Plan embraces a more strategic approach to budgeting by realizing that most challenges are long-term and demand long-term solutions; there are "no sacred cows"; the focus is on outcomes and priorities; making tough choices but sharing the burden; focusing on structural problems and solutions; bringing in other government agencies as part of the solutions; upgrading the capacity of government; a focus on monitoring, evaluating, and reporting, and inclusion of all stakeholders

Keys to success are an emphasis on customer service, performance measurement and multi-year planning.

Plan Charts New Course

(from front)

The process has a blue-ribbon group of advisers: Alan Graf, executive vice-president and CFO, FedEx; Susan Stephenson, co-chair and president of Independent Bank; Edith Kelly-Green, owner, Kelly-Green Enterprises LLC; Chris McLean, executive vice-president of finance, Methodist Healthcare; and Floyd Tyler, president, Preserver Partners LLC.

In addition, corporate CEOs from Memphis Tomorrow will contribute to the process: Eric Bolton, Mid-America Apartment Communities and chair of Memphis Tomorrow's finance/government affairs committee; J.R. Hyde III, Hyde Family Foundations; John Faraci, International Paper; Gary Shorb, Methodist Le Bonheur Healthcare; and Bill Rhodes, Autozone.

Ex-officio members of the process are Mayor Wharton, Memphis City Council Budget Chairman Jim Strickland, Chief Administrative Officer George Little, Director of Engineering John Cameron, Director of Housing and Community Development and the city's Interim CFO, Robert Lipscomb.

The Five-Year Strategic Fiscal and Management Plan will build on the new momentum and progress under way in Memphis, and as a result, it too is based on aiming higher, thinking boldly, and acting entrepreneurially.

The seminal choice for City of Memphis is not just between smaller government (budget cuts) and bigger government (tax increases). The real choice is for City of Memphis to develop a smarter government that sets clear priorities and works relentlessly to achieve clear goals in the most efficient and cost-effective way possible.

The Mayor's Office of Strategic Planning mission is to lead the creation of Memphis as a City of Choice where every citizen has the opportunity for a good-paying job, every family has the chance to live in a healthy neighborhood, every child has the option for a quality education, and every neighborhood has parks, greenlines, and recreational opportunities for healthy living. To accomplish this, City of Memphis will work each day to create safe and vibrant neighborhoods, grow prosperity and opportunity for all, invest in our young people, and advance a culture of excellence in city government.

The Mayor's Office of Strategic Planning is the vehicle to bring all city plans into a cohesive context with the emphasis on execution of city priorities.